



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFÉ

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**Report of the Finance and Administration
Committee meeting held on 4 March 2013**

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1. The Finance and Administration Committee held its 11th meeting under the International Coffee Agreement 2007 in London on 4 March 2013.

Item 1: Adoption of the Agenda

2. The Committee adopted the draft Agenda contained in document FA-52/12 Rev. 1.

Item 2: Election of the Chairman and Vice-Chairman for 2012/13

3. The Committee appointed Ms Ina Grohmann of the EU-Germany as Chair and Mr Aly Touré of Côte d'Ivoire as Vice-Chair for 2012/13.

Item 3: Report on the meeting of 24 September 2012

4. The Committee approved the report on the meeting of 24 September 2012 contained in document FA-51/12.

Item 4: Financial situation

5. The Head of Finance and Administration gave an overview of the Organization's unaudited management accounts at 31 January 2013 contained in document FA-59/13. Other income excluding contributions amounted to £68,343, a negative variance of £13,407 against Budget. This was due to a shortfall in interest income because of the low level of prevailing interest rates. There was however a small positive variance on rental income from the conference facilities. Total expenditure for the first four months of the year amounted to £1,225,138 which represented a positive variance of £15,447 against Budget. The main variances were in the areas of Personnel, Special contracts and Travel.

6. The overall position therefore showed a surplus of £2,040 against Budget. Outstanding contributions for 2012/13 amounted to £1,523,064 or 52% at 11 February 2013 out of a total of £2,942,000 due. In summary, the Organization's financial situation for the year to date was satisfactory.

Item 5: Accounts for the financial year 2011/12

**Item 5.1: Administrative Accounts of the Organization
and Report of the Auditors**

7. The Head of Finance and Administration introduced the audited Administrative Accounts of the Organization for 2011/12 contained in document FA-54/12. On the balance sheet he noted that some progress had been made in collecting arrears from previous years, which had fallen by £63,119. Debtors were much higher, by £239,696, due to the delayed payment of VAT by the UK Government. This was however paid shortly after the year end. Cash balances had decreased by £722,010 because of this delayed payment and because of the refurbishment of the first and second floors.

8. Income was largely in line with the Budget and the Income and Expenditure Account showed £100,000 of income carried forward from the previous year's surplus in order to mitigate the need for cost reductions, as agreed by the Council. An overall surplus of £8,695 had been achieved for the year, which had been credited to the Reserve Fund.

9. It was noted that a credit balance of £103,079 was held in the name of the Positively Coffee programme, which had ceased activities. Contributions had come from both the Institute for Scientific Information on Coffee (ISIC) and the Promotion Fund over a number of years. The Committee asked whether this money could be used for other purposes and it recommended that this question should be referred to the Council.

10. Having reviewed the Administrative Accounts, the Committee decided to recommend the Accounts for approval to the Council.

Item 5.2: Accounts of the Special Fund and Report of the Auditors

11. The Head of Finance and Administration presented the Accounts of the Special Fund for 2011/12 contained in document FA-55/12 to the Committee. The Committee agreed to recommend the Accounts for the approval of exporting Members. Exporting Members would convene later in the week to review and make recommendations on possible uses of the Fund.

Item 5.3: Accounts of the Promotion Fund

12. As decided in September 2010, the Accounts of the Promotion Fund for 2011/12 had not been audited, but were circulated in document FA-56/13 for information. The Committee took note of these Accounts.

Item 6: Premises

13. The Head of Finance and Administration provided a status report on the search for a sub-tenant for the second floor of the premises at 22 Berners Street. Several parties had been interested in the space but to date there had been no firm commitment. A number of interested parties had required a longer term beyond the expiration of the current lease held by the Organization, which the Landlord was not willing to grant.

14. Another firm had visited the premises on four occasions and had been sent a Heads of Agreement at a possible rental price of £42 per square foot with a rent free period of six months. This was at the top end of the price range used in the forecasts when the Committee had discussed the premises issue during 2012, which had ranged from £32.50 to £42. A condition of the potential sub-tenant to sign a lease would be for the ICO to install air conditioning and grant a flooring allowance. Subsequent to the Committee's meeting, it was reported that the potential sub-tenant had decided not to proceed because it had decided to look for smaller premises. One delegate asked whether consideration had been given to asking additional estate agents to market the premises: the Secretariat reported that this was the case and that the situation would be reviewed with Savills immediately after these meetings.

15. The Committee requested the Secretariat to keep it informed about any progress with regard to a suitable sub-tenant, as well as the question of air conditioning and any other conditions, since these appeared to be normal requirements of prospective sub-tenants. In the event that a sub-tenant were not secured by the end of April, the Secretariat would inform the Committee accordingly, with a view to holding an intersessional meeting in order to review the next steps, and in particular to assess the effect of this issue of a sub-tenant on the draft Budget.

Item 7: Draft Administrative Budget for the financial year 2013/14

16. The Head of Finance and Administration introduced the draft Budget for 2013/14 in document FA-57/13 as well as the cost analysis summary contained in document FA-58/13. The Budget had been drafted on the basis that the ICO would secure a sub-tenant for the

second floor during 2012/13. The other critical assumption was that the new sub-tenant would begin to pay rent in October 2013, paying £38 per square foot after a six month rent free period.

17. The draft Budget proposed no increase in contributions and a surplus of £180,000 if revenue and expenditure were on target. Assuming that this level of surplus were to continue in the immediate future, this would enable the Reserve Fund to be replenished in approximately 2 ½ years: this had been one of the conditions laid down by the Council when agreeing to the refurbishment of the premises.

18. The Committee noted the effect on the Budget if a sub-tenant for the premises were not secured. The Committee agreed that the price and timing of the premises question were so critical to the draft Budget that the Committee should review the status of the sub-tenant question at an intersessional meeting rather than leaving it for discussion at the next regular meeting of the Committee in September, when a final decision would have to be made. Subject to this caveat, the Committee approved the broad principles contained in the draft Budget.

Item 8: Salary scales

Item 8.1: Salary scales and basis for contributions to the Provident Fund for staff in the General Service category

Item 8.2: Basis for contributions to the Provident Fund for staff in the Professional and higher categories

19. The Head of Finance and Administration introduced documents FA-53/12 and FA-60/13 which contained proposals for increases in Salary scales and Provident Fund contributions for General Service staff and for a revision to Provident Fund scales for staff in the Professional and higher categories. The former represented an increase of 1.9% on the present scale with a total cost of £10,400. The latter also represented an increase of 1.9% in relation to the current scale with a total cost of £3,500. Both revisions had already been fully allowed for in preparing the Administrative Budget for 2012/13. He added that in the context of salaries and personnel costs in general that the majority of staff, including all senior staff, had agreed to take one week's unpaid leave during 2012/13 and that this, together with other cost saving elements in the areas of medical examinations, catering and car parking, would produce savings in the region of £50,000 during the current year.

20. The Committee agreed to recommend approval of both increases to the Council.

Item 9: Outstanding contributions

21. The Head of Finance and Administration reported that Gabon, Peru and Zambia had paid all their outstanding arrears and confirmed that the Democratic Republic of Congo had both paid off its arrears and was well in advance of its commitments for future contributions. The Committee expressed its appreciation to these countries for their efforts in settling debts.

22. The Head of Finance and Administration introduced document FA-61/13 which contained a proposal by Sierra Leone for the payment of its arrears amounting to £25,469 for 2012/13 and previous years over an 18 month period. The sum of £8,650 had already been received in part settlement of the debt. The Committee agreed to recommend this proposal to the Council which subsequently became Resolution 450.

Item 10: Procedures for office holders

23. The Council had requested the Finance and Administration Committee to review the procedures in the event that both the Chairman and Vice-Chairman of a Committee were absent. It was proposed by the Committee that the Executive Director would chair a Committee in such an instance, which was in accordance with the Rules of the Organization as applied to Council meetings.

Item 11: Other business

24. There was no other business to discuss.

Item 13: Date of next meeting

25. The Committee noted that the next regular meeting would take place during the week of 9 to 12 September 2013 in Belo Horizonte, Brazil. It noted further that it might be necessary to convene an intersessional meeting in order to discuss further the issue of a prospective sub-tenant and that the timing and logistics for such a meeting would be confirmed by the Secretariat.